

Message Text

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PAGE 01 STATE 125256

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TO USMISSION EC BRUSSELS PRIORITY

C O N F I D E N T I A L STATE 125256

LIMDIS

FOR UNDER SECRETARY ROOBINSON

FOLLOWING REPEAT BONN 8590 ACTION SECSTATE INFO CAIRO JIDDA

TEHRAN 28 MAY

QUUOOTE

C O N F I D E N T I A L BONNN 08590

LIMDIS

E.G. 11652: GDS

TAGS: PFOR, EAID, EG, GW

SUBJECT: GERMAN CONCERN OVER EGYPTIAN ECONOMIC
SITUATION

REF: STATE 1131662

1. IN CONVERSATION WITH EMBOFFF MAY 28, DR. HEINICHEN,
THE ACTING DIRECTOR OF OFFICE FOR BASIC FOREIGN
ECONOMIC POLICY QUESTIONS IN FONOFF, CONFIRMED THAT
FRG HAD INNSTRUCTED ITS EMBASSIES IN JIDDA AND TEHRAN
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PAGE 02 STATE 125256

TO DISCUSS EGYPTIAN SITUATION WITH SAUDI AND IRANIAN

OFFICIALS. HEINICHEN SAID THAT HE IS STILL AT A LOSS TO KNOW WHAT TO DO. HE IS SKEPTICAL ABOUT THE LIKELIHOOD THAT ARAB COUNTRIES WILL PROVIDE ASSISTANCE OF THE MAGNITUDE NEEDED TO BAIL EGYPT OUT, AND HE REALIZES THAT WESTERN DONORS ARE NOT IN A POSITION TO OFFER SUBSTANTIAL ADDITIONAL AID ON SHORT NOTICE. YET HE IS CONVINCED THAT ACTION MUST BE TAKEN QUICKLY.

2. THE FRG EMBASSY IN CAIRO HAS JUST REPORTED THAT FOR FIRST TIME LETTERS OF CREDIT ARE NOT BEING PAID BY EGYPTIANS. FRG EMBASSY ALSO REPORTED THAT NEW ADDITIONAL AID COMMITMENTS HAD BEEN MADE BY IRAN FOR \$120 MILLION AND BY KUWAIT FOR \$100 MILLION. KUWAIT HAS ALREADY MADE A \$50 MILLION PAYMENT FROM THIS COMMITMENT, WHICH IS INTENDED TO MEET EGYPT'S MOST URGENT LIABILITIES. HOWEVER, NEITHER THE EXTENT OF SUCH URGENT LIABILITIES NOR THE AMOUNT OF FOREIGN EXCHANGE EARNINGS AND BALANCE OF PAYMENTS SUPPORT ACTUALLY AVAILABLE TO EGYPT IS KNOWN. THUS NOT EVEN THE MAGNITUDE OF EGYPT'S IMMEDIATE PAYMENTS PROBLEM IS CLEAR.

3. WE GAVE HEINICHEN A COPY OF CAIRO'S TABLE DESCRIBING ASSISTANCE TO EGYPT (ENCL. II TO CAIRO A-23), FOR WHICH HE WAS MOST APPRECIATIVE.

4. COMMENT: WHILE GERMANS ARE OBVIOUSLY CONCERNED ABOUT EGYPT'S BALANCE OF PAYMENTS SITUATION AND SEEM READY TO ASSIST IN A COMMON ENDEAVOR TO HELP EGYPT, THEY HAVE GIVEN US NO INDICATION THAT THEY WANT TO BE IN THE FOREFRONT OF SUCH AN EFFORT. THEY APPEAR QUITE WILLING TO LET OTHERS TAKE THE LEAD. HILLENBRAND UNQUOTE INGERSOLL

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